GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2998
ANSWERED ON:10.08.2001
CREDIT POLICY OF CO OPERATIVE BANKS
A. VENKATESH NAIK

Will the Minister of FINANCE be pleased to state:

(a) whether the Government have issued any instruction to the State Governments toimprove by 5 percent or forgo incentive fund share;

(b) if so. the details of instructions issued to the State Governments in this regard; and

(c) the total incentive fund per year calculated by the Eleventh Finance Commission?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHR1 BALASAHEB VIKHE PATIL):

(a) and (b) Pursuant to the recommendations of the Eleventh Finance Commission (EFC) on Additional Term of Reference, Ministry of Finance has set up an Incentive Fund forFiscal Reforms of the States. Given the broad contours of the fiscal objectives recommended by EFC. the States have been invited to draw their respective Medium Term Fiscal ReformsProgramme aimed at improvement in revenue deficit/surplus of the State. The scheme envisages preparing a fiscal reform programme with the objective of yearly improvement of the Revenue deficit as a proportion of Revenue receipts by 5 percentage points for each State. If a Statedoes not achieve this objective of the Reform Programme in any one year, the amount does not iapse, but is carried over to the subsequent year`s entitlement to the State. Only in the final year of the scheme, if a State`s performance under its fiscal reform programme does not achieve the agreed targets, its entitlement is available for those states which have achieved the benchmark improvements.

(c) The year-wise details of the amount of the Incentive Fund is given in the statement.